

## Message Text

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ACTION AID-59

INFO OCT-01 EA-11 ADP-00 AGR-20 EB-11 DODE-00 CIAE-00

INR-10 NSAE-00 RSC-01 IGA-02 L-03 SS-15 RSR-01 COME-00

TRSE-00 /134 W

----- 014176

P 091205 Z MAY 73

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC PRIORITY 1206

INFO AMEMBASSY BANGKOK PRIORITY

UNCLAS SECTION 1 OF 2 PHNOM PENH 4441

FOR STATE/ AID

E. O. 11652: N/ A

TAGS: EAID, CB, TH

SUBJECT: THAI RICE PURCHASES

REF: ( A) STATE 79051

( B) PHNOM PENH 4107

SUMMARY. FOR THE REMAINING 33,000 MT OF THAI RICE OUT OF THE TOTAL 100,000 MT AID HAS AGREED TO FINANCE, NEGOTIATIONS BETWEEN THE GKR AND RTG CONTINUE TO BE HAMPERED BY INTERFERENCES OF PRIVATE DEALERS FRONTING FOR HIGH OFFICIALS IN BOTH GOVERNMENTS. WITH THE RICE SITUATION DETERIORATING MORE RAPIDLY IN CAMBODIA, WE BELIEVE THE U. S. MUST TAKE A MORE ACTIVE HAND IN THE MATTER IF WE ARE TO MEET CAMBODIAN REQUIREMENTS ON A TIMELY BASIS. WE NEED ALSO TO TAKE A CLOSE LOOK AT THE SCOPE OF PRESIDENTIAL AUTHORITY TO FINANCE NON- US RICE AND AT THE FUNDING REQUIREMENTS TO FINANCE 100,000 MT. END OF SUMMARY.

1. THE SIGNING THIS WEEK OF A CONTRACT BETWEEN SONEXIM AND PWO FOR AN ADDITIONAL 5,000 MT OF THAI RICE BRINGS TO 47,000 MT THE TOTAL AMOUNT PURCHASED SO FAR BY THE GKR UNDER GRANT 442- K- 606. THIS LEAVES A BALANCE OF 33,000 MT OUT OF THE 100,000 MT WE HAVE ADVISED THE GKR WE ARE PREPARED TO FINANCE. REPEATED  
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PROMISES BY THE RTG TO GIVE FAVORABLE CONSIDERATION TO CAMBODIA'S PLIGHT HAVE NOT YET PRODUCED ANY TANGIBLE RESULTS. THIS IS NOT TO SAY THAT THE BLAME RESTS ENTIRELY WITH THE RTG. THERE IS AMPLE EVIDENCE AT OUR END THAT SOME GOVERNMENT OFFICIALS ARE TRYING TO PROMOTE A PRIVATE DEAL, THUS CONFUSING THE ISSUE AND UNDERMINING THE EFFORTS OF THOSE RESPONSIBLE OFFICIALS ON BOTH SIDES WHO ARE ATTEMPTING TO NEGOTIATE A LEGITIMATE GOVERNMENT- TO- GOVERNMENT CONTRACT. WE HAVE OBTAINED A COPY

OF A LETTER WRITTEN IN ENGLISH BY ITH THUY, THE EX- MINISTER OF FINANCE, INSTRUCTING A PRIVATE LOCAL BUSINESSMAN TO CONTACT THE THAI AUTHORITIES AND FIRMS TO PURCHASE 40,000 MT OF RICE FOR THE ACCOUNT OF THE GKR. WE HAVE JUST LEARNED THAT MINISTER OF DEFENSE THAPPANA NGINN IS NOW SENDING GENERAL MAO SUM KHEM TO BANGKOK FOR THE SAME PURPOSE. THIS CONTINUAL BACKSTAIRS MANEUVERING TAKES PLACE DESPITE THE OFFICIAL POSITION TAKEN BY THE GKR'S SECRETARY OF STATE FOR COMMERCE AND THE MINISTER OF FOREIGN AFFAIRS THAT ONLY SONEXIM IS EMPOWERED TO NEGOTIATE WITH THE RTG. WE KNOW ALSO THAT THE SECRETARY OF THE THAI FOREIGN OFFICE, ASA SARASIN, HAS EXPRESSED TO THE KHMER AMBASSADOR THE WISH OF HIS GOVERNMENT THAT NEGOTIATIONS BE CONDUCTED THROUGH NORMAL DIPLOMATIC CHANNELS WITHOUT INTERFERENCE OF PRIVATE PARTIES. WITH TIME RUNNING OUT TO FORESTALL A RICE CRISIS IN CAMBODIA, WE DO NOT BELIEVE IT IS IN THE BEST U. S. INTEREST TO KEEP OUR INVOLVEMENT TO A MINIMUM ANY LONGER. ON THE CONTRARY, WE COME RELUCTANTLY TO THE CONCLUSION THAT THE U. S. GOVERNMENT SHOULD TAKE THE INITIATIVE NOW TO CONTRACT DIRECTLY WITH THE RTG FOR THE PURCHASE OF ADDITIONAL RICE FOR CAMBODIA. IF BECAUSE OF DIFFICULT LOCAL MARKET CONDITIONS, THE RTG IS RELUCTANT TO SELL AT ONCE 40,000 MT OF RICE, OUR NEGOTIATORS SHOULD AT LEAST OBTAIN FROM THE RTG A FIRM SHIPPING SCHEDULE FOR TRANCHES OF BETWEEN 5 AND 10,000 MT OVER THE NEXT THREE MONTHS.

2. WITH RESPECT TO THE PRESIDENTIAL AUTHORITY TO PURCHASE NON- US RICE, WE BELIEVE THE FOB BANGKOK COST OF 100,000 MT CAN STAY WITHIN THE LIMITS OF LAST YEAR WAIVER OF SECTION 614( A). ON THE OTHER HAND, THE \$16.7 MILLION PROGRAMMED UNDER GRANT 606 DO NOT APPEAR TO BE SUFFICIENT TO FINANCE THE TOTAL LANDED COST OF 100,000 MT. IN ORDER TO AVOID ANY POSSIBLE MISUNDERSTANDING, WE WISH TO STATE THE FACTS OF THE MATTER AS PERCEIVED AT THIS END:

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ACTION AID-59

INFO OCT-01 EA-11 ADP-00 AGR-20 EB-11 IGA-02 DODE-00

CIAE-00 INR-10 NSAE-00 RSC-01 L-03 SS-15 COME-00

TRSE-00 RSR-01 /134 W

----- 014226

P 091205 Z MAY 73

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC PRIORITY 1207

INFO AMEMBASSY BANGKOK PRIORITY

UNCLAS SECTION 2 OF 2 PHNOMPENH 4441

FOR STATE/ AID

A. THE PRESIDENTIAL WAIVER UNDER SECTION 614 ( A ) OF THE FAA AUTHORIZES THE FINANCING OF UP TO \$21 MILLION OF NON-US RICE FOR LAOS AND CAMBODIA. OF THIS AMOUNT, AID/ W HAS DETERMINED THAT \$16 MILLION WOULD BE AVAILABLE FOR CAMBODIA, AND \$5 MILLION FOR LAOS. SHIPPING COSTS ARE NOT REPEAT NOT INCLUDED IN THE PRESIDENTIAL WAIVER. THUS, THE PROBABLE FOB COST OF 100,000 MT BROKEN DOWN BY TRANCHES IS AS FOLLOWS . READ 3 COLUMNS: TONNAGE, UNIT PRICE FOB BANGKOK, TOTAL COST.

60,000	127	7,620,000
2,000	179.50	359,000
5,000	200	1,000,000
33,000	200	6,600,000
TOTAL		
100,000		15,579,000

THE FIRST THREE LINE ITEMS REPRESENT ACTUAL PURCHASES. THE LAST ONE IS PROJECTED ON THE BASIS OF THE PRICE PAID FOR THE LAST 5,000 MT. IN THE EVENT THAT WE DECIDE FOR VERY COMPELLING REASONS THAT WE NEED TO FINANCE MORE THAN 100,000 MT, ASSUMING ADDITIONAL FUNDING REQUIREMENTS CAN BE MET, IT WOULD BE USEFUL TO KNOW WHETHER OR NOT LAOS HAS FULLY USED ITS QUOTA OF \$5 MILLION UNDER THE PRESIDENTIAL WAIVER. IN OTHER WORDS, CAN MORE THAN THE ORIGINAL \$16 MILLION BE ALLOCATED TO CAMBODIA?

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B. UNDER GRANT 442- K-606, WE HAVE PREOGRAMMED \$16.7 FOR RICE PURCHASES. WE PROJECT A TOTAL EXPENDITURE ROUNDED OFF AT \$19,559,000 FOR THE LANDED COST OF 100,000 MT BROKEN DOWN

BY TRANCHES AS FOLLOWS . READ IN 4 COLUMNS: TONNAGE, FOB UNIT  
COST, FREIGHT UNIT COST, TOTAL LANDED COST.

60,000	127	17	8,640,000
2,000	179.50	-0-	359,000
5,000	200	40	2,640,000
33,000	200	40	7,920,000

TOTAL

100,000	19,559,000
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NOTE THAT FOR LAST TWO LINE ITEMS, FREIGHT COST IS ESTIMATED  
ON BASIS OF CURRENT INFORMATION. THE DIFFERENCE BETWEEN THE  
AMOUNT PROGRAMMED AND THE TOTAL PROJECTED COST IS \$2,859,000.  
UNLESS THE AMOUNT OF GRANT 606 CAN BE INCREASED BY AID/ W, WE  
WILL HAVE TO DIP INTO THE AMOUNTS RESERVED FOR THE FOLLOWING  
PURPOSES:

\$1 MILLION FOR ADDITIONAL PD-31 PROCUREMENT.

\$1.2 MILLION FOR FERTILIZER.

\$3 MILLION FOR CODE 941 PROCUREMENT.

SWANK

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NMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* UNCLASSIFIED

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
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**Decaption Date:** 01 JAN 1960  
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**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 73 STATE 79051  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** collinp0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 OCT 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19-Oct-2001 by kuehnbc0>; APPROVED <04-Feb-2002 by collinp0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** <DBA CORRECTED> mcm 971230  
**Subject:** THAI RICE PURCHASES  
**TAGS:** EAID, CB, TH  
**To:** AID  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005